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ENERGY PASS TO PI FOR KAY THOMPSON, THOMAS CUTLER, JEFFREY
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SUBJECT: DOMESTIC AND DIPLOMATIC CLIMATE CHANGE INITIATIVES

Classified By: Political Officer Dan Rakove for reasons 1.4 (b) and (d)

11. (C) SUMMARY: Acutely aware of its vulnerability to a changing climate, Mongolia is pursuing initiatives both domestically and regionally to foster clean energy and conservation. Diplomatically, the GOM has assembled delegates from China, Japan, Russia, North Korea, and South Korea at three conferences starting in October 2008 to foster cooperation in emissions mitigation and adaptation to environmental changes. Japanese hesitation, however, thwarted Mongolia's goal of holding a joint Northeast Asia Summit on Climate Change at UNGA in October this year. Domestically, Mongolia is pursuing clean energy and forestation projects with striking determination. This is a product not only of the Gobi-based dust storms and the noxious fumes from urban coal combustion but also out of a desire for greater energy independence from Russia. Mongolia's determination is undergirded by strong government will and tacit recognition that Mongolia's per capita emissions are far higher than other comparable developing economies. This dynamic creates an opportunity for USG engagement to foster emissions mitigation while potentially providing a model for similar endeavors with other developing nations. END SUMMARY

Environmental Vulnerability

12. (U) Patterns documented by satellite imagery and the Ministry of Nature, Environment and Tourism's (MNET) Institute of Meteorology and Hydrology (IMH) are generating alarm among officials. Although winters that already reach -50 Celsius are growing colder, Mongolia's average annual air temperature paradoxically increased more than two degrees Celsius between 1940 and 2008. The comparable global rise in this period is only one third of this level. IMH estimates that by 2100, the local average temperature will rise by an additional 3.5 degrees Celsius. With terrain varying from Central Asian desert to Siberian forest, the consequences of Mongolia's sensitivity to carbon emissions vary. Nevertheless, long term patterns are distinct and well documented in the inaugural 2009 Mongolia Assessment Report on Climate Change (MARCC).
Rapid desertification: More than 70 percent of the grassland is affected; the Gobi Desert is rapidly expanding into the steppes. Dust storms grow more frequent.
Increased frequency of severe weather: Heavy rains lead to increased flooding; heavy winter snows obstruct what pastures remain. Over the last 40 years, the number of annual heat

waves more than doubled.

Disappearing water resources: Precipitation is increasing in the eastern regions and decreasing in the western ones. Yet even in the east, this is offset by rising temperatures and attendant elevated rates of evaporation. Glaciers in Western Mongolia are vanishing. According to the IMH surface water inventory, some 15 percent of rivers, 25 percent of springs, and 30 percent of lakes and ponds dried up in the last decade. Together with the melting of permafrost, or frozen soil that lies beneath 60 percent of the country, there is a distinct process of national desiccation underway.

----- Economic Vulnerability -----

¶3. (U) Climate change affects animal husbandry most severely.

In addition to desertification, heavy winter snows prevent animals from reaching forage, resulting in further loss of livestock. Director of the IMH, G. Sarantuya, told us that as a result of depleted water supplies and grassland yields, herders and their dependents are already migrating away from the arid southern regions in search of greener pastures. Still others forsake the cowboy lifestyle altogether, moving into peri-urban coal-burning ger districts and contributing to the already high rate of unemployment. Although the number of herders more than tripled from 1990 to number 420,000 in 2000, their ranks have since diminished by more than 50,000) nearly two percent of the national population.

¶4. (U) Water scarcity will increase the cost of business for all. This also further complicates the ambitions of GOM officials to construct water-intensive power generation and mineral processing facilities. For example, coal deposits must be shipped abroad for washing. Mongolian brown coal

(lignite) is notoriously carbon heavy. The burning of coal rings the capital with a sooty halo throughout the six-month winter.

----- Carbon Emissions -----

¶5. (U) As of 2006, the nation released some 15.6 billion tons in total of carbon dioxide equivalents. That is equivalent to six tons per capita and significantly exceeds corresponding levels in comparative developing countries. It is even slightly higher than the global average. The reliance upon coal throughout the severe winter and the methane-producing livestock sector leads to such significant discharges.

¶6. (U) Energy production, both state-owned and private, generates nearly 60 percent of total emissions. Sixty-six percent of energy produced domestically is derived from local carbon-intensive coal deposits. Twenty-two percent of energy is in turn generated from oil, largely diesel. Absent domestically, this fuel is imported chiefly from Russia and mostly used to power transportation and power plants in the west. The remaining eleven percent of energy is produced from renewable sources, largely hydro plants in the north and west of the country. In comparison to energy produced domestically, that which is imported from Russia is largely derived from coal. Of all the energy consumed, a full 40 percent is used for heating.

¶7. (U) The agricultural sector produces more than 35 percent of carbon emissions, largely in the form of methane. There are now some 40 million head of livestock providing livelihood directly or indirectly to half of the population and nourishment to all. These include 18 million goats, 17 million sheep, two million cattle, two million horses and 300 thousand camels. Significant overgrazing contributes to net GHG emissions through the devouring and trampling of carbon storing fodder, and pastures are not managed sustainably.

¶8. (U) The remaining five percent of carbon emissions derive from industry and waste management practices. The production of lime, cement, food products and beverages produce some four percent; methane emissions from domestic and commercial solid and liquid waste account for the remainder. Solid waste is currently disposed of in landfills without processing.

----- Renewable Energy Initiatives -----

¶9. (U) Despite economic difficulties only now starting to subside, the GOM took significant initiatives to foster clean energy despite plentiful and cheap local coal, estimated at 150 billion tons. To date the focus has been on the western provinces where the national grid does not reach. In 2000 the Government took a 40 million USD international loan to build a large hydropower station in Taishir (Gobi-Altai). Additionally, international investors constructed and oversee a hydropower plant in Durgun (Khovd). With capacities of 11 and 12 megawatts (MW), respectively, the plants not only dwarfed existing small scale hydropower plants but also held the promise of energy even throughout the frigid winter. They are meant to offset imports from Russia of diesel and electricity through the Western Electricity System (WES). The two plants were also registered in the Clean Development Mechanism (CDM) to bring in funding through carbon emission reduction (CER) purchases.

¶10. (SBU) However, there is concern that the two hydro plants may never reach their potential due to insufficient and seasonally irregular water flow. To date, renewable energy efforts have faltered somewhat due to changing water flows. Since construction of the hydropower plants commenced in 2004, the river flows upon which Taishir depend subsided significantly. Durgun has only recently come online and is providing electricity to the WES in quantities close to expectations. Taishir is only providing 0.65 MW of the expected 11 MW, which is routed to two sub-regions (soums).

¶T. Ganbold, Specialist for CDM Projects at the Energy Authority stated it brought in less than 1,000 USD per month through CERs. Of two once-planned additional hydropower plants in the region, one at Maikhan-Tolgoi (Bayan-Ulgii) has been canceled. Feasibility studies are complete for a massive 69 MW plant in Erdeneburen (Khovd) though the expected costs make construction unlikely in the near term.

Interest in Nuclear Power

¶11. (SBU) The GOM is also showing heightened interest in nuclear energy. After international lobbying they obtained a seat on the IAEA Board of Governors. Jargalsaikhan, First Secretary of the International Organizations Department of the Ministry of Foreign Affairs and Trade (MFAT) and who is instrumental in IAEA engagement, emphasized the importance of maintaining the integrity of the Nuclear Non-Proliferation Treaty for its assistance component. They hosted Director General El Baradei as well as numerous technical specialists from the IAEA earlier this year. In addition, the domestic Nuclear Energy Agency (NEA) was given greater autonomy this year as it was transferred to directly under the Prime Minister's Office. Later moves by the NEA have raised concerns of foreign investors that the government is expropriating their investment interests in the uranium field.

Diplomatic Initiatives and Goals

¶12. (SBU) Mindful of his country's limited capacity to adapt to climate change, former President Enkhbayar initiated the Northeast Asian Summit on Climate Change. Participants include representatives from North and South Korea, Japan, China, and Russia. Their delegates assembled in Ulaanbaatar for an October 2008 Expert Meeting, a March 2009 Director Generals Meeting and a May 2009 Ministerial Meeting. Originally the goal was to hold a Summit Level Meeting on the sidelines of the UN General Assembly and release a "Declaration of Cooperation on Climate Change in Northeast Asia." The draft of this document calls for creating an integrated regional water management system, combating land degradation and its derivative airborne yellow dust, as well as developing and sharing technologies for conservation and renewable or nuclear energy.

¶13. (C) Japanese reluctance put summit plans on hold. Batbold, Director of the International Cooperation Department at the MNET, speculated that Japanese reluctance may originate from the idea of high-level public cooperation with the DPRK. Jargalsaikhan attributed this to the transition of power in Tokyo. For their part, Japanese officials stated

only that they would continue to engage in the regional process following the Copenhagen Summit.

¶14. (SBU) The Director of MFAT's Policy Planning Department, Batjargal, stated that President Elbegdorj was likely to attend the December Summit in Copenhagen. He stated that as a developing country, Mongolia would ultimately align itself with the G-77. However, Dagvadorj, who will join the Copenhagen delegation, stated that he felt a tension with certain G-77 objectives. In particular, one proposal for financing the adaptation fund is to require countries to donate to it in proportion to their per capita emissions. Mongolia would suffer from such a formula. Batbold stated that developed countries should finance adaptation and mitigation in proportion to past emissions.

DPRK Involvement and Conservation

¶15. (C) Director General of MNET's Information, Monitoring and Evaluation Department D. Dagvadorj stated that the DPRK, China and South Korea showed the most commitment at the Mongolian-hosted conferences. The Russians only sent officials from their local Embassy. Dagvadorj explained the strikingly keen North Korean interest as being a product of their domestic environmental problems including the retreat of their own forests and the melting of interior permafrost. Although referencing DPRK's Juche ideology of self-reliance in his remarks, DPRK Minister of Land and Environmental Protection Pak Song Nam devoted his speech to a call for regional and international cooperation and expressed concern for restoring "degraded land, coasts, water resources and biodiversity."

¶16. (C) Batbold reported that the North Koreans suggested in private that their laborers could be of use in context with ongoing Mongolian and international efforts to plant trees in semi-desert regions. Officials are currently considering the proposal. Though DPRK officials made the suggestion, they asked Mongolia to make a formal public request for such labor. Dagvadorj believes such an interest in tree planting may originate from DPRK concerns about their own struggles with deforestation.

¶17. (C) Head of the Forest Agency M. Tungalag stated that she would meet with the resident North Korean Ambassador in the week beginning November 30. Displeased with the capabilities of her own forestry staff and the results of their planting efforts to date, she is eager to employ workers fit for the task. She foresees drafting an MOU to hire 20-30 specialized laborers from the DPRK and anticipates employing them outside of the South Korean-run Greenbelt reforestation project in the Gobi region. If all goes well she intends to hire more DPRK laborers in the future. Currently the Forest Agency is conducting planting projects in the Northern regions, and their budget has doubled in the last year to over 2.5 million USD. DPRK laborer wages and living expenses would be paid for out of this expanded budget. The Northeast Asia Association of Mongolia (NAAM) is working to facilitate this arrangement. (NOTE: The NAAM is a private research institution with strong unofficial ties to the DPRK. It is run by former MP Baabar and counts such prominent figures as Defense Minister Lu. Bold and MP R. Badamdandin among its members. END NOTE)

COMMENT

¶18. (SBU) Mongolia's high carbon dependence is unusual for a developing country, which normally have a low carbon output per capita. Sensitive to this, Mongolians are eager to cut emissions relative to other developing nations. Yet although the government is willing, their technical capacity is lacking and parliamentary support for long-term, expensive climate change efforts remains untested. Technical shortcomings, for example, are evident both in the Mongolian-run Taishir hydropower plant as well as the forestry initiatives in the north.

¶19. (SBU) Given the strong commitment at both the high and working levels of the Mongolian government to mitigation efforts, U.S. public and private engagement with Mongolia in carbon emission mitigation may serve as a productive model for partnership with other developing nations in the

aftermath of a new compact on climate change. In addition, Mongolia's population of nearly three million and abundance of wind, sunlight and rivers allows for significant return from small, well-placed investments. Because costs to both donors and the GOM would be relatively small to build technical capacity, the GOM would be keenly interested to assume complete project ownership. In addition they could leverage such investments to draw in greater financial support through regional ties.

¶20. (C) Finally, Mongolia appears to view increased domestic capacity to tackle energy and conservation issues as a path to greater energy independence. For example, former DCM at the Mongolian Embassy in Washington and current MFAT Americas Director Odonjil has noted to us on a number of occasions that Mongolia is heavily beholden to Russia commercially and

diplomatically as a result of energy dependence. END COMMENT
ADDLETON